University of Regina

Pension Plan for the Academic and Administrative

Employees of the University of Regina

Financial Statements

For the Year Ended December 31, 2015

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Pension Plan for the Academic and Administrative Employees of the University of Regina, which comprise the statement of financial position as at December 31, 2015, and the statements of changes in net assets available for benefits and changes in pension obligations for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Pension Plan for the Academic and Administrative Employees of the University of Regina as at December 31, 2015, and the changes in net assets available for benefits and changes in pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Judy Ferguson

Regina, Saskatchewan
May 3, 2016

Judy Ferguson, FCPA, FCA
Provincial Auditor

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Pension Plan for the Academic and Administrative
Employees of the University of Regina
Statement of Financial Position
As at December 31

	2015			2014		
	Defined Benefit	Defined Contribution	Total	Defined Benefit	Defined Contribution	Total
Assets						
Investments (Notes 5 and 10)						
Master Trust fund	$ 261,395,160	$ -	$ 261,395,160	$ 257,183,947	$ -	$ 257,183,947
Sun Life Financial	-	127,601,227	127,601,227	-	113,466,795	113,466,795
	261,395,160	127,601,227	388,996,387	257,183,947	113,466,795	370,650,742
Receivables						
Employee contributions	101,005	551,804	652,809	111,008	517,718	628,726
Employer contributions	103,482	549,598	653,080	113,800	515,029	628,829
	204,487	1,101,402	1,305,889	224,808	1,032,747	1,257,555
Total Assets	261,599,647	128,702,629	390,302,276	257,408,755	114,499,542	371,908,297
Liabilities						
Accounts payable	3,214,559	486,620	3,701,179	1,172,532	1,404,668	2,577,200
Total Liabilities	3,214,559	486,620	3,701,179	1,172,532	1,404,668	2,577,200
Net assets available for benefits (Statement 2)	258,385,088	128,216,009	386,601,097	256,236,223	113,094,874	369,331,097
Pension Obligations (Statement 3)	226,311,000	128,216,009	354,527,009	229,364,000	113,094,874	342,458,874
Surplus	$ 32,074,088	$ -	$ 32,074,088	$ 26,872,223	$ -	$ 26,872,223

Approved by the Board of Governors

Chair, Board of Governors

Chair, Audit & Risk Management Committee

The accompanying notes are an integral part of these financial statements

Pension Plan for the Academic and Administrative
Employees of the University of Regina
Statement of Changes in Net Assets Available for Benefits
For the Year Ended December 31

	2015			2014		
	Defined Benefit	Defined Contribution	Total	Defined Benefit	Defined Contribution	Total
Increase in Assets						
Investment Income (Loss)						
Net realized gain on sale	$ 10,244,841	$ 6,213,451	$ 16,458,292	$ 7,444,012	$ 10,020,552	$ 17,464,564
Change in unrealized gain on investments	7,104,271	-	7,104,271	16,465,409	-	16,465,409
Interest	-	371,239	371,239	-	222,776	222,776
Dividends	-	955,420	955,420	-	2,097,432	2,097,432
	17,349,112	7,540,110	24,889,222	23,909,421	12,340,760	36,250,181
Contributions (Notes 6 and 12)						
Employee contributions	1,212,013	6,488,685	7,700,698	1,378,893	6,571,751	7,950,644
Employer contributions	1,239,407	6,455,773	7,695,180	1,396,882	6,053,377	7,450,259
	2,451,420	12,944,458	15,395,878	2,775,775	12,625,128	15,400,903
Total Increase in Assets	19,800,532	20,484,568	40,285,100	26,685,196	24,965,888	51,651,084
Decrease in Assets						
Plan expenses (Note 7)	1,122,703	575,373	1,698,076	1,185,426	527,224	1,712,650
Pension benefit payments (Note 8)	11,129,845	-	11,129,845	9,971,056	-	9,971,056
Refunds and Transfers (Note 8)	5,399,119	4,788,060	10,187,179	1,582,146	6,282,454	7,864,600
Total Decrease in Assets	17,651,667	5,363,433	23,015,100	12,738,628	6,809,678	19,548,306
Net Increase in Assets	2,148,865	15,121,135	17,270,000	13,946,568	18,156,210	32,102,778
Net Assets Available for Benefits, Beginning of Year	256,236,223	113,094,874	369,331,097	242,289,655	94,938,664	337,228,319
Net Assets Available for Benefits, End of Year (to Statement 1)	$ 258,385,088	$ 128,216,009	$ 386,601,097	$ 256,236,223	$ 113,094,874	$ 369,331,097

The accompanying notes are an integral part of these financial statements

Pension Plan for the Academic and Administrative
Employees of the University of Regina
Statement of Changes in Pension Obligations
For the Year Ended December 31

	2015	2014
	Defined Benefit (Note 9)	Defined Benefit (Note 9)
Pension Obligations, Beginning of Year	$ 229,364,000	$ 221,777,000
Increase in Pension Obligations:		
Interest accrued on benefits	14,106,000	13,777,000
Benefits accrued	4,201,000	4,605,000
Change in actuarial assumptions	-	1,116,000
	18,307,000	19,498,000
Decrease in Pension Obligations:		
Benefits paid	17,037,000	11,911,000
Experience gain	2,448,000	-
Change in actuarial assumptions	1,875,000	-
	21,360,000	11,911,000
Pension Obligations, End of Year (to Statement 1)	$ 226,311,000	$ 229,364,000

The accompanying notes are an integral part of these financial statements

1. Summary of Significant Accounting Policies

The Pension Plan for the Academic and Administrative Employees of the University of Regina (the Plan) statements are prepared in accordance with the Canadian accounting standards for pension plans, which includes reference to the guidance found in International Financial Reporting Standards with respect to the fair value measurement for investment assets and investment liabilities. For accounting policies that do not relate to its investment portfolio or pension obligations, the financial statements comply with Canadian accounting standards for private enterprises, to the extent that these standards do not conflict with the standards for pension plans.

The following accounting policies are considered significant.

a) The financial statements use the accrual basis of accounting, and are prepared on the going concern basis. The Plan's financial statements are presented in Canadian dollars.

b) Investments

Investments of the Defined Benefit (DB) portion of the Plan are comprised of units in a pooled fund called the University of Regina Master Trust (Master Trust). Additional units are acquired when assets are transferred to the Master Trust and when distributions are made by the Master Trust. The Plan can realize changes in the underlying unit values by redeeming units. The Master Trust does not pay investment income to the Plan.

The Plan's units in the Master Trust are recorded at fair market value in the accounts at their net asset value per unit. The net asset value per unit is the market value of the Master Trust's investments, based on mid-market prices, divided by the total number of units outstanding in the Master Trust.

The change in net asset value of the units in the Master Trust during the year is reflected in the Statement of Changes in Net Assets Available for Benefits as unrealized gain (loss) on investments.

Effective July 1, 2011, investments of the Defined Contribution (DC) portion of the Plan are directed by the DC participants, and are held by Sun Life Financial (Sun Life). The Plan's assets are invested in segregated funds approved by the Board of Governors. Members have the ability to select an investment strategy that is suitable for their own retirement investment needs. Members bear the investment risk and reap the rewards of investment performance, as plan benefits are limited to the market value of accumulated balance of each member's accounts. These investments are recorded at fair value, based on end-of-day valuations. The change in fair value during the year is reflected in the Statement of Changes in Net Assets Available for Benefits as unrealized gain (loss) on investments. Income on these investments is allocated to each member based on the actual holdings.

Prior to July 1, 2011, investments supporting the DC portion of the Plan were held in the Master Trust.

Investment transactions are recorded as of the trade date.

Investments of the Plan are classified as held-for-trading.

c) Other Financial Instruments

Accounts receivable and accounts payable are short-term in nature, and as such, their carrying value approximates their fair value.

d) Use of estimates

In preparing the financial statements, management uses estimates and assumptions that primarily affect the reported values of assets and liabilities. Significant estimates are used primarily in the determination of the fair value of investments and investment related receivables in the Master Trust. Significant estimates are also used in the determination of pension obligations. Actual results could differ from those estimates, which may impact the results reported in future periods.

e) Translation of foreign currencies

Transactions conducted in foreign currencies are translated into Canadian dollars using the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at year-end.

2. Authority for the Plan

Section 62(j) of *The University of Regina Act* provides that the Board of Governors may establish a system of pension or retiring allowances for any or all classes of University officials and other employees.

3. Plan Administration

The Academic and Administrative Pension Plan was established June 30, 1965. In December 1974, the Board of Governors of the University of Regina accepted sponsorship of the Pension Plan for its employees and is the administrator of the pension plan. The Academic and Administrative Benefits Committee is a sub-committee of the Board of Governor's Human Resources Committee and has the responsibility to administer the Plan according to the terms and provisions of the Plan agreement. The University has appointed, through agreements, investment managers to authorize investments, and a trustee to maintain custody of the plan assets and invest the plan assets as authorized by the investment managers.

4. Description of the Plan

The following description of the Pension Plan for the Academic and Administrative Employees of the University of Regina is a summary only. For more information, reference should be made to the Plan document.

a) General

At December 31, 1999, the Plan was a contributory defined benefit final average pension plan for Academic and Administrative employees who held a permanent, probationary or term appointment, working half-time or more. Eligible employees were required to join the Plan as a condition of employment.

Effective January 1, 2000, a Defined Contribution (DC) component was added to the Plan for new members joining the Plan on or after this date.

Plan membership is extended to those employees who qualify from Petroleum Technology Research Centre, the federated colleges, Campion and Luther, and continues to be extended to the employees of the MacKenzie Art Gallery.

Effective July 1, 2011, the DC component assets transitioned from the Master Trust to Sun Life. This transition provides members with the benefit of additional options for how their DC assets can be invested.

To outline the changes for the DC members, plan amendment 2011-1 was approved, effective July 1, 2011. The definition of Investment Income was expanded to reflect the different revenues and expenses related to the investments at Sun Life.

b) Retirement Benefits

Defined Benefit Component:

The normal retirement date is the 30th of June coincident with or next following the 65th birthday.

The annual amount of pension is determined as 2% of the Member's highest three-consecutive-year average earnings multiplied by the number of years of credited service. The annual retirement benefit is based on maximum earnings of $140,944 as outlined in the *Income Tax Act* (Canada).

The normal form of pension is a single life pension payable monthly in arrears with a ten year guarantee. Other options are available on an actuarially equivalent basis. A member who has a spouse at the time of retirement shall be paid in a joint and 60% survivor form unless the member's spouse has signed a waiver under applicable legislation reducing survivor benefits for the spouse.

A member also has the option of transferring funds as described in the "Termination Benefits section" or to any other prescribed retirement plan that is registered under the *Income Tax Act* (Canada).

Defined Contribution Component:

The normal retirement date is the 30th of June coincident with or next following the 65th birthday.

Upon retirement, the full value of the DC member's account is transferred to a prescribed retirement plan that is registered under the *Income Tax Act* (Canada).

c) Indexing

Eligible retired members in the DB (Defined Benefit) component may be entitled to a yearly formula-based pension increase. The plan provides post retirement indexing to 100% of the increase in the CPI (Consumer Price Index). The pension increase will commence one year after the Member's deemed retirement date.

d) Termination Benefits

A Member is vested and locked-in immediately upon becoming a Member of the Plan.

Under the DB component, upon termination of employment the Member shall receive a transfer to another registered pension plan, a prescribed RSP, or to purchase a deferred pension from an insurance company that is not commutable or any other retirement plan prescribed by the *Income Tax Act* (Canada) an amount equal to the greater of the following:

i) the Member's plus the University's required contributions with interest as at December 31, 1991, with interest to the payment date plus, for service on or after January 1, 1992, two times member required contributions with interest, plus, for periods under the Long-term Disability Plan after December 31, 1991, the commuted value of benefits earned during such period of disability, or

ii) the commuted value of the monthly retirement benefit.

Under the DC component, upon termination the Member shall receive the market value of the DC account at the date of payment available for transfer to another registered pension plan, or a locked in retirement account, or to purchase an immediate or deferred life annuity, or a combination of these. The value of the DC account is comprised of member and employer contributions along with allocation of investment income. Investment income is defined as investment returns including change in market values less management fees and administration expenses incurred.

e) Death Benefits

i) Prior to Normal Retirement Date

Defined Benefit Component:

Upon death of a member, other than a terminated vested member or a retired member, the Member's spouse or beneficiary shall receive a transfer to another registered pension plan, a prescribed RSP, an insurance business to purchase an immediate or deferred pension, paid as a lump-sum cash refund, transferred to a registered retirement savings plan, or a combination of the five, the greater of the following:

A) the Member's plus the University's required contributions with interest as at December 31, 1991, with interest to the payment date plus, for service on or after January 1, 1992, two times member required contributions with interest, plus, for periods under the Long-term Disability Plan after December 31, 1991, the commuted value of benefits earned during such period of disability, or

B) the commuted value of the monthly retirement benefit.

If the Member does not have a spouse, the beneficiary receives the death benefit as a taxable lump-sum payment.

Defined Contribution Component:

Upon death of a Member and if the Member does not have a spouse, the Member's estate or designated beneficiary will receive a taxable lump-sum payment of the full value of the DC account less any applicable withholding taxes.

If the Member has a spouse, the spouse will receive the market value of the DC account which can be transferred to another registered pension plan, a Locked-In Retirement Account, an insurance business to purchase an immediate or deferred life annuity, or a combination of the three.

ii) After Retirement

Upon the death of a retired DB member, benefit payments, if any, shall be continued in accordance with the benefit payment option elected by the member at the time of retirement.

f) Member's Contributions and Funding Policy

Defined Benefit Component:

In accordance with the Plan document, 15% of the Member's Contributory Earnings shall be contributed with respect to each member.

At least 50% of such contributions shall be made by the Employer. The balance shall be retained at source from the Member's earnings.

Defined Contribution Component:

In accordance with the Plan document, 7.5% of the Member's Contributory Earnings shall be contributed with respect to each member.

Contributions by the Employer shall be made on an equal basis. The required contributions shall be deducted from the Member's earnings by the Employer.

g) Interest Rate Credited

Defined Benefit Component:

Since December 31, 1995, active member and University contribution balances are credited interest each year such that the total member and University contribution balance with interest is the greater of:

i) the member and University contribution balance at December 31, 2009 credited with the average for the year of the yields of five-year personal fixed term chartered bank deposit rates (CANSIM, Series B-14045); and

ii) the member and University contribution balance at December 31, 2009 credited with the geometric four-year average net rate of return for the fund less 0.5%.

Defined Contribution Component:

Since December 31, 1995, active member and University contribution balances are credited interest each year. These are based on the actual investment performance net of expenses during the year, as approved by the Academic and Administrative Benefits Committee. As of July 1, 2011, Sun Life Financial began maintaining the records and providing administration and investment services for the Plan's Defined Contribution component. The rate of return is dependent on where the member chooses to invest their assets.

h) Members on Disability

Defined Benefit Component:

Periods during which a member is in receipt of disability benefits provided from the Long Term Disability Plan of the University count as pensionable service. Employer and employee contributions continue during periods the employee is in receipt of disability benefits.

Defined Contribution Component:

The Plan continues the employer and employee contributions for periods during which a Member is in receipt of disability benefits from the Long Term Disability Plan of the University.

i) Transfer Deficiency – Defined Benefit Component

Section 28 of *The Pension Benefits Regulations, 1993* requires a plan administrator to determine and apply a transfer deficiency where a plan has a solvency ratio of less than 1:1. Effective October 2013, and as determined by an actuarial funding valuation for the year ended December 31, 2012, there is a solvency holdback of 11% for all employees transferring monies out of the pension plan. Effective September 2015 and as determined by an actuarial funding valuation for the year ended December 31, 2014, there is no longer a solvency holdback.

5. Financial Instruments

The Plan's significant financial instruments consist of accounts receivable, accounts payable, and investments.

Contributions Receivable and Accounts Payable

The contributions receivable and accounts payable are non-interest bearing financial instruments and are due or payable within the next year. Due to this short-term maturity, the fair value of these financial instruments approximates carrying value.

Investments

Effective December 1, 1995, the assets of the University of Regina's Academic and Administrative Employees and the Non-Academic Pension Plans were combined into a pooled fund called the Master Trust to improve investing opportunities. Each plan holds units in the Master Trust rather than holding individual investments. These investments are classified as held-for-trading. For more information, reference should be made to the Master Trust Agreement.

The total assets of the Master Trust on December 31, 2015 is $353,752,823 (2014 - $344,711,402). The Unitholders' Equity at December 31 is:

	2015	2014
Academic & Administrative Employees' Pension Plan	$ 261,395,160	$ 257,183,947
Non-Academic Pension Plan	92,357,663	87,527,455
	$ 353,752,823	$ 344,711,402

The number of units held by participating pension plans at the end of the year were as follows:

	2015	2014
Academic & Administrative Employees	5,577,031.459	5,860,226.120
Non-Academic Employees	1,970,509.287	1,994,411.728
Balance, end of year	7,547,540.746	7,854,637.848

Investments totaling $127,601,227 (2014 - $113,466,795) supporting the Defined Contribution (DC) obligations are held by Sun Life and are directed by each DC participant. These investments, classified as held-for-trading, are comprised of units in various pooled funds held in a segregated fund, established by Sun Life in accordance with the *Insurance Companies Act* (Canada). These funds are maintained separately from Sun Life's general funds, and may not be applied against liabilities that arise from any other business of Sun Life. The pooled funds have no fixed interest rate, and its returns are based on the performance of the fund.

The Plan has classified its required fair valued financial instrument holdings using a hierarchy that reflects the significance of the inputs used in determining their measurements.

Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets and liabilities are classified as Level 1. Instruments valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly are classified as Level 2. Instruments valued using inputs that are not based on observable market data are classified as Level 3.

There were no items transferred between levels in 2015 or 2014.

The DC portion of the Plan holds investments in segregated funds of Sun Life. The following table classifies Sun Life's required financial instruments within a fair value hierarchy:

2015	Level 1	Level 2	Level 3	Total
Balanced Funds	$ -	$ 101,499,185	$ -	$ 101,499,185
Canadian Equity Funds	-	6,053,908	-	6,053,908
Fixed Income Funds	-	6,517,814	-	6,517,814
Foreign Equity Funds	-	10,337,481	-	10,337,481
Guaranteed Funds	-	1,391,977	-	1,391,977
Money Market Funds	-	1,800,863	-	1,800,863
Total	$ -	$ 127,601,228	$ -	$ 127,601,228

2014	Level 1	Level 2	Level 3	Total
Balanced Funds	$ -	$ 90,625,477	$ -	$ 90,625,477
Canadian Equity Funds	-	6,451,293	-	6,451,293
Fixed Income Funds	-	5,905,264	-	5,905,264
Foreign Equity Funds	-	7,884,589	-	7,884,589
Guaranteed Funds	-	1,249,330	-	1,249,330
Money Market Funds	-	1,350,842	-	1,350,842
Total	$ -	$ 113,466,795	$ -	$ 113,466,795

The Defined Benefit (DB) portion of the Plan holds units in the Master Trust. The following tables classify the Master Trust's required financial instruments within a fair value hierarchy:

2015	Level 1	Level 2	Level 3	Total
Short-term investments	$ 6,367,866	$ -	$ -	$ 6,367,866
Bonds and Debentures	-	80,628,264	-	80,628,264
Equities	222,769,869	-	-	222,769,869
Mortgages	-	15,639,223	-	15,639,223
Real estate	-	27,827,210	-	27,827,210
Total	$ 229,137,735	$ 124,094,697	$ -	$ 353,232,432

2014	Level 1	Level 2	Level 3	Total
Short-term investments	$ 6,408,668	$ -	$ -	$ 6,408,668
Bonds and Debentures	-	78,265,259	-	78,265,259
Equities	217,920,937	-	-	217,920,937
Mortgages	-	13,883,367	-	13,883,367
Real estate	-	27,804,506	-	27,804,506
Total	$ 224,329,605	$ 119,953,132	$ -	$ 344,282,737

The Master Trust holds $27,827,210 (2014 - $27,804,506) in real estate. This represents 7.88% (2014 – 8.08%) of total investments. The investments in real estate consist of Canadian commercial property. The investment policies of the participating pension plans state the investments in mortgages can be mortgages secured against Canadian real estate, mortgage-backed securities, or asset-backed securities.

The investment objectives of the Plan are to ensure there are sufficient assets to meet future pension obligations and to generate sufficient cash flow to meet pension payments. Due to the long-term horizon of the Plan's liabilities, the Plan takes a long-term investment perspective.

Significant financial risks are related to the investments. These financial risks are managed by having an investment policy, which is approved by the Board of Governors. The investment policy provides guidelines to Sun Life and the Master Trust's investment managers for the asset mix of the portfolio regarding the quality and quantity of fixed income investments, real estate and equity investments. The asset mix includes different asset classes and in domestic and foreign markets. Derivatives (such as options, futures, and forward contracts) are allowed within the Sun Life segregated funds and the Master Trust to protect against losses from changes in exchange rates and market indices; and for non-hedging purposes, as a substitute for direct investment. The investment policy prevents the use of derivatives for speculative trading or to create a portfolio with leverage.

Based on the investment objectives set by the participating pension plans, the Master Trust invests cash flows from the pension plans. The nature of the Master Trust's operations results in a statement of net assets that consists primarily of financial instruments. Because the DB portion of the Plan holds units in the Master Trust, the investment risks of the Master Trust are also risks of the Plan.

The risks that arise from holding investments in Sun Life and the Master Trust are: market risk (consisting of interest rate risk, foreign exchange risk and equity price risk), credit risk and liquidity risk.

Market Risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk arises from short-term changes in nominal interest rates that cause differences in the timing and amount of cash flows related to the investments. Interest rate risk is managed by investing in fixed income investments (short-term investments, bonds and debentures, mortgages) of various durations.

With respect to the Master Trust investments supporting the DB portion of the Plan, it is estimated that a 100 basis point increase/decrease in interest rates would decrease/increase the value of the fixed income investments by $7,500,000 (2014 - $6,700,000), representing 7.34% (2014 – 6.80%) of the $102,635,353 (2014 - $98,557,294) fair value of these investments.

Foreign Currency Risk

Foreign currency risk refers to the adverse consequences of exchange rate changes on the Plan's cash flows, financial position and income.

The Master Trust is subject to changes in the US/Canadian dollar exchange rate for US denominated investments. Also, the Master Trust is exposed to EAFE (Europe, Australasia and Far East) currencies and global currencies (including US, Non-North American and Canadian) through its investment in the pooled Non-North American (NNA) equity fund and pooled global equity fund. Exposure to US equities, Non-North American equities, global equities, and emerging equities is limited to a maximum 16%, 17%, 10%, and 6% respectively each of the total of the fair value of the total investment portfolio. At December 31, 2015, the Master Trust's exposure to US equities was 16.44% (2014 - 17.4%) and its exposure to Non-North American equities (including global equities) was 30.0% (2014 – 27.0%).

At December 31, 2015, for the Master Trust a 10% appreciation in the Canadian dollar versus US dollar exchange rate would result in approximately a $3,000,000 (2014 - $3,000,000) decrease in investments in the Master Trust. A 10% weakening in the Canadian dollar versus EAFE currencies would result in approximately a $10,600,000 (2014 - $9,300,000) increase in investments in the Master Trust.

No more than 50% of the fair value of the bond and debentures portfolio of the Master Trust shall be invested in bonds of foreign issuers.

Equity Prices:

	Market Value – Master Trust	
	2015	2014
Common Shares and Pooled Funds – Canadian	$ 58,446,280	$ 64,789,282
Pooled Funds – Global	45,976,558	41,071,224
Pooled Funds – NNA	60,173,761	51,979,485
Pooled Funds – US	58,173,270	60,080,946
	$ 222,769,869	$ 217,920,937

The Master Trust is exposed to changes in equity prices in Canadian, US, and EAFE markets. Equities, including equity pooled funds, comprise 63.07% (2014 – 62.30%) of the fair value of the Master Trust's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee or related group of investees represents greater than 10% of the fair value of the Master Trust's total investment portfolio. As well, no one holding represents more than 10% of the voting shares of any corporation. Investments in pooled funds do not exceed 10% of the fair value of that fund.

The following table indicates the approximate change that would be expected to the total investment portfolio based on changes in the Master Trust's benchmark indices:

	2015		2014	
	10% increase	10% decrease	10% increase	10% decrease
Canadian Equities	$ 5,900,000	$ (5,900,000)	$ 6,500,000	$ (6,500,000)
US Equities	$ 5,800,000	$ (5,800,000)	$ 6,000,000	$ (6,000,000)
NNA Equities	$ 6,000,000	$ (6,000,000)	$ 5,200,000	$ (5,200,000)
Global Equities	$ 3,100,000	$ (3,100,000)	$ 2,700,000	$ (2,700,000)
Emerging Market Equities	$ 1,500,000	$ (1,500,000)	$ 1,400,000	$ (1,400,000)

The Sun Life segregated funds of the DC portion of the Plan contains the following foreign equity balances, representing 8.10% (2014 – 6.95%) of the total value of the segregated funds:

	Market Value – DC Sun Life	
	2015	2014
US Equity Index (Registered)	$ 5,956,607	$ 4,824,423
Global Equity	2,666,372	1,643,964
International Stock Trust	1,714,502	1,416,202
	$ 10,337,481	$ 7,884,589

Credit Risk

Credit risk is the risk that a party owing money to the Plan will fail to discharge that responsibility. The Plan is exposed to credit risk from the potential non-payment of accounts receivable and non-return of money in certain segregated fund investments.

The Plan's maximum exposure to credit risk at the reporting date is limited to the carrying value of its at-risk financial assets, summarized as follows:

	2015	2014
Employer & Employee Contributions Receivable	$ 1,305,889	$ 1,257,555
Sun Life Money Market	1,800,863	1,350,842
Sun Life Fixed Income	6,517,814	5,905,264
Sun Life Guaranteed Funds	1,391,977	1,249,330
	$ 11,016,543	$ 9,762,991

The Plan holds units in the Master Trust. The Master Trust manages its own credit risk. The Master Trust's maximum exposure to credit risk at the reporting date is limited to the carrying value of its financial assets, summarized as follows:

	2015	2014
Cash	$ 66,740	$ 96,328
Investment income receivable	453,612	332,368
Short-term investments	6,367,866	6,408,668
Bonds and debentures	80,628,264	78,265,259
Mortgages	15,639,223	13,883,367
	$ 103,155,705	$ 98,985,990

The Master Trust limits the credit risk by dealing with counterparties that are considered to be high quality. The credit ratings used to describe the investments below are based on the Dominion Bond Rating Service and/or the Standard and Poor's Bond Rating Service.

Short-Term Investments

These investments in the Master Trust are comprised of a pooled fund that holds investments mainly in corporate bonds and debentures with effective interest rates of 0.699% to 0.861% (2014 - 1.168% to 1.381%) and maturing within 4 to 180 days (2014 - 2 to 183 days). The investment policies of the participating pension plans state that investments must meet a minimum investment standard of "R-1", as rated by a recognized credit rating service.

Bonds and Debentures

The Master Trust holds the following investments in bonds and debentures:

2015

	Pooled Funds	Yield to Maturity At Fair Value
	$ 80,628,264	0.82% - 3.16%
Total	$ 80,628,264	

2014

	Pooled Funds	Yield to Maturity At Fair Value
	$ 78,265,259	2.59% - 3.25%
Total	$ 78,265,259	

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

The investment policies of the participating pension plans in the Master Trust state that the minimum quality standard for individual bonds and debentures is 'C' as rated by a recognized bond rating agency at the time of purchase, and sets limits to the maximum notational amount of exposure with respect to any one issuer. Bonds rated below 'BBB' may not be purchased if the purchase would raise holdings rated below 'BBB' to more than 40% of the market value of the bond portfolio, with bonds rated below 'BB+' not to exceed 5% of the market value of the bond portfolio at the time of purchase.

Credit ratings for bonds held by the Master Trust are as follows:

	2015		2014	
Credit Rating	Fair Value	Make up of Portfolio (%)	Fair Value	Make up of Portfolio (%)
AAA	$ 16,603,435	20.59%	$ 15,844,462	20.24%
AA	21,822,459	27.07%	29,774,827	38.04%
A	13,639,284	16.92%	12,973,317	16.58%
BBB	22,505,480	27.91%	12,973,317	16.58%
BB & Below	6,057,606	7.51 %	6,699,336	8.56%
Total	$ 80,628,264	100.00%	$ 78,265,259	100.00%

Within bond investments in the Master Trust there are no direct holdings other than the Government of Canada or a Canadian province. Securities of the Master Trust may not be loaned except within pooled funds where the pooled fund policy permits securities lending.

The Sun Life segregated funds of the DC portion of the Plan contain bonds totaling $6,517,814 (2014 - $5,905,264).

	2015		2014	
Credit Rating	Fair Value	Make up of Portfolio (%)	Fair Value	Make up of Portfolio (%)
AAA	$ 1,205,796	18.5%	$ 1,316,874	22.3%
AA	1,277,492	19.6%	2,704,611	45.8%
A	1,355,705	20.8%	997,990	16.9%
BBB & Below	2,678,821	41.1%	803,116	13.6%
Unrated	-	-%	82,673	1.4%
Total	$ 6,517,814	100.00%	$ 5,905,264	100.00%

Liquidity Risk
Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows.

6. Contributions

Employer			Employee		
	2015	2014		2015	2014
Current Service	$ 7,691,201	$ 7,441,610	Required	$ 7,696,995	$ 7,462,945
Past Service	3,979	8,649	Past Service	3,703	8,649
Special	-	-	Voluntary	-	479,050
	$ 7,695,180	$ 7,450,259		$ 7,770,698	$ 7,950,644

7. Plan Expenses

Defined Benefit	2015		2014
	Budget	Actual	Actual
Actuarial and consulting services	$ 363,000	$ 171,077	$ 184,340
Administration	157,058	132,711	121,360
Investment management	670,000	675,636	724,638
Trustee fees	155,000	143,279	155,088
	$ 1,345,058	$ 1,122,703	$ 1,185,426

Defined Contribution	2015		2014
	Budget	Actual	Actual
Actuarial and consulting services	$ 46,000	$ 34,838	$ 33,154
Administration	84,510	77,520	67,808
Investment management	-	453,457	416,103
Trustee fees	7,000	9,558	10,159
	$ 137,510	$ 575,373	$ 527,224

The investment management fees for the Defined Contribution portion are not budgeted. These fees are charged directly by Sun Life and are determined by each individual's investment choice.

8. Pension Benefit, Refunds and Transfer Payments

	2015		2014	
	DB	DC	DB	DC
Retirement benefits	$ 11,129,845	$ -	$ 9,971,056	$ -
Termination benefits	5,399,119	4,788,060	1,582,146	6,282,454
	$ 16,528,964	$ 4,788,060	$ 11,553,202	$ 6,282,454

9. Pension Obligations

Aon Hewitt, a firm of consulting actuaries, performed an actuarial valuation as at December 31, 2014 and extrapolated it to December 31, 2015. The actuary used the projected benefit method prorated on services and best estimate assumptions approved by the Academic and Administrative Benefits Committee. The University is required to obtain another actuarial valuation as at December 31, 2017. Significant long-term assumptions used in the valuation and extrapolations are:

	as at December 31	
	2015	2014
Salary/*Income Tax Act* maximum Pension increase	2.75%	3.0%
Inflation rate	2.25%	2.5%
Discount rate	6.00%	6.15%
Indexing	2.25%	2.5%

The actual rates may vary significantly from the long-term assumptions used. The change in the assumptions decreased pension obligations by $1,875,000 (2014 - $1,116,000). The $2,448,000 experience gain is mostly caused by indexing and pensioner mortality different than expected.

In both 2015 and 2014, mortality tables used were the CPM 2014 Public Sector Mortality Table – unadjusted projected generationally with CPM Improvement Scale B.

The Plan Document states that any excess surplus shall be used to reduce the contributions of the University and members equally, or used for the benefit of the members and their beneficiaries. Any use of surplus to reduce contributions of the University must be negotiated with the members as part of the collective agreements. Any use of surplus would be for the benefit of the members and their beneficiaries.

The following illustrates the effects of changing certain assumptions:

Assumption:	Adjusted Assumption (Change Made):	Change in Accrued Liability	Percentage Change in Accrued Liability
Discount rate	7.00% (Plus 1%)	$ (23,084,000)	(10.2%)
	5.00% (Minus 1%)	$ 28,515,000	12.6%
Salary, and *Income Tax Act* Maximum Pension increase	3.75% (Plus 1%)	$ 3,621,000	1.6%
	1.75% (Minus 1%)	$ (3,395,000)	(1.5%)
Inflation rate	3.25% (Plus 1%)	$ (6,110,000)	(2.7%)
	1.25% (Minus 1%)	$ 6,789,000	3.0%

The pension obligations are long-term in nature. The Plan has no intention of settling its pension obligation in the near term and there is no market for settling its pension obligation. Therefore, determination of the fair value of the pension liability is not practical.

10. Capital Disclosures and Investment Performance

The Plan receives its source of capital from employer and employee contributions, investment income, and market value increases on its invested capital. The Plan defines capital to be its investment in units of the Master Trust and investments in Sun Life segregated funds.

Master Trust

The University has retained Phillips, Hager & North Ltd. as investment manager of the majority of the investments in the Master Trust. The University also contracts with Franklin Templeton Investments, Bentall Kennedy, BlackRock Asset Management Canada Limited, Mawer Investment Management Ltd., and Grantham, Mayo Van Otterloo & Co. LLC to be investment managers of specific types of investments in the Master Trust.

These investment managers make the day-to-day decisions of whether to buy or sell specific investments in order to achieve the long-term investment performance objectives set by the Plan. It is these long-term investment performance objectives that are used to assess the performance of the investment managers.

The primary long-term investment performance objective for the entire Master Trust portfolio is to out-perform a benchmark portfolio with weightings as follows:

Asset Class	Representative Index	2015 Weight	2014 Weight
Canadian equities	S&P/TSX Composite Index	16%	16%
U.S. equities	S&P 500 Index (Cdn $)	6.5	6.5
U.S. equities	S&P 500 Index - Hedged	6.5	6.5
Non-North American equities	MSCI EAFE Index (Cdn $)	14	14
Global equities	MSCI All Country World Index (Cdn $)	8	8
Emerging Markets equities	MSCI Emerging Markets (Net)(CdnS)	4	4
Real Estate	Investment Property Databank	15	15
Bonds	FTSE TMX Canada Universe Bond Index	26	26
Mortgages	FTSE TMX Canada Short Bond Index	4	4
		100 %	100 %

The University engages the services of Aon Hewitt, asset management consultants, to provide advice on the overall management of the Master Trust's investments and on the measurement of the Master Trust's performance. Aon Hewitt reports to the Joint Pension Investment Committee quarterly on the investment performance in terms of the performance of the benchmark portfolio over moving four-year periods.

The one year investment objective (the return of the benchmark portfolio) was 6.3% (2014 – 9.5%). For the year ending December 31, 2015, the Master Trust had a gross rate of return of 6.8% (2014 – 10.0%). For the four years ending December 31, 2015, the Master Trust had an annualized gross rate of return of 11.4% (2014 – 10.2%). The four-year investment objective (the return of the benchmark portfolio) was 10.1% (2014 - 8.9%).

Sun Life

Assets of the DC portion of the Plan are held by Sun Life. The DC Plan members are given a choice of pooled funds in which they can invest. The available funds to choose from have been determined by the Academic and Administrative Benefits Committee and approved by the Board of Governors. The returns of these funds are monitored by the committee, who can determine to remove funds or add new funds.

The benchmark portfolios for each of the funds have been determined using the actual returns of the market indices such as the S&P/TSX Capped Composite Index, Standard & Poor's 500 Canadian Index, Morgan Stanley Europe, Australasia and Far East Index, Morgan Stanley World ex Canada Index, DEX Universe Bond Index and 91-Day Canadian Treasury Bills. The target date indexes are established by the investment fund manager.

The following is a summary of each of the fund's 1 year investment performance as at December 31, 2015:

Fund	Return	Benchmark
Money Market	0.75%	0.63%
Bond (Fixed Income)	3.81%	3.52%
Target Date (Balanced Funds)	4.72% to 8.93%	4.87% to 8.84 %
Canadian Equity – Black Rock	-7.41%	-8.32%
Canadian Equity – Connor Clark and Lunn	-5.05%	-8.14%
U.S. Equity	21.53%	21.59%
International Equity	16.80%	19.46%
Global Equity	18.58%	20.04%

11. Related Parties

The Plan is related to the University of Regina and other pension plans sponsored by the University. The Plan is also related to key members of management of the University and their immediate family members. All key members of University management are participants in this Plan. Any financial transactions between the Plan and key members of management are based on the Plan document and are in the normal course of the Plan's business.

University employees carry out the day-to-day activity and monitoring of the Plan. The University pays all plan expenses, pension benefits, refunds and transfers on behalf of the Plan, and then is reimbursed by the Plan. Certain services, such as the preparation of cheques for payouts, and certain overhead costs, such as utilities and space related to people who perform services for the Plan, are provided by the University at no cost to the Plan.

Contributions for Petroleum Technology Research Centre, the federated colleges and MacKenzie Art Gallery are calculated and collected through the University's payroll process.

12. Subsequent Events

On April 15 and April 20, 2016, the University of Regina Faculty Association representing the Administrative, Professional and Technical Employees Bargaining Unit (URFA - APT) and the Board of Governors ratified a new Collective Bargaining Agreement. The new agreement provides for the following retroactive salary increases:

July 1, 2014 – 1.50%
July 1, 2015 – 1.25%

The retroactive payments will include additional contributions into the pension plan, at the same contribution rates. At the time of issuing the financial statements, the amounts are not determinable. The majority of the URFA – APT employees are in the Defined Contribution pension plan.

The impact of this event on the Defined Benefit pension obligations was not determinable at the time of issuance of financial statements. However, the resulting change in the Defined Benefit pension obligation is not expected to have a material impact on the financial statements.